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In the Supreme Court of the United States

October Term, 1957.

No. [redacted] 102

JEOFFROY MFG., INC., ROY JEOFFROY AND RAY L. JEOFFROY,
Petitioners,

vs.

WILLIAM T. GRAHAM AND GRAHAM-HOEME PLOW CO., INC.,
Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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No. 1068.

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May It Please the Court:

INTRODUCTION.

The petitioners herein were the defendants in the District Court and will be referred to herein as "petitioners." The respondents were the plaintiffs in the District Court and will be referred to herein as "respondents."

The Petition for Certiorari filed herein by petitioners is from a decision of the United States Court of Appeals of the Fifth Circuit in an accounting in a patent infringement suit brought by respondents on April 10, 1950 (R. 1), charging petitioners with infringement of United States Letters Patent No. 2,493,811, issued January 10,

1950, for "VIBRATING PLOW AND MOUNTING THEREFOR" (Pl. Ac. Ex. 28, R. 372, Vol. II, 839, Vol. III).

The District Court, after full and complete hearing at the original trial filed its Letter Opinion on September 30, 1951, holding the patent valid and infringed, and a judgment was entered January 5, 1952, retaining jurisdiction for the purpose of ascertaining and fixing the amount of *general damages,* as well as all further recovery authorized by law and that may be awarded in the discretion of the court.

Petitioners duly filed their appeal to the United States Court of Appeals for the Fifth Circuit, which court on September 9, 1953, affirmed the decision of the District Court, the Court of Appeals' decision appearing in 206 F. 2d 772.

Petitioners filed their Petition for Writ of Certiorari to the Supreme Court of the United States, which Court on March 8, 1954, denied certiorari (347 U. S. 920, 74 S. Ct. 515, 98 L. Ed. 1075).

Petitioners also filed Petition for Rehearing after denial of certiorari, which petition was on April 5, 1954, denied by this Honorable Court (347 U. S. 940, 74 S. Ct. 626, 98 L. Ed. 1089).

A hearing on the accounting was held by the District Court beginning on February 8, 1955.

The District Court rendered is preliminary Letter Opinion on September 29, 1955, on the accounting (R. 14), and its final Letter Opinion April 12, 1956 (R. 25). Findings of fact, conclusions of law and judgment were filed by the District Court on August 3, 1956 (R. 42-50), awarding respondents judgment in the amount of $35,000.00.

Respondents filed their appeal to the United States Court of Appeals for the Fifth Circuit from the judg-

ment of the District Court. The respondents' appeal was argued in the Court of Appeals for the Fifth Circuit on January 9, 1958, and that court rendered its decision on March 12, 1958, which decision appears in 253 F. 2d 72.

It is from that decision that petitioners have filed Petition for Writ of Certiorari to this Honorable Court.

The Patent In Suit.

The invention of the patent in suit relates to a clamping device for securing the shanks of ground-working tools to the frame of a plow, commonly referred to as "Deep Chisel Plows" and is particularly advantageous for use on plows in rocky territory encountered in the glacier countries such as North and South Dakota, Montana, Wyoming and other such areas. Chisel plows were a complete failure in such rocky territories prior to the invention of the patent in suit. The District Court found such plows could not be sold for use in such rocky areas without the clamping device of the patent. Its use is not limited to rocky territory as it is also used in many instances where few or no rocks are encountered. The type of plow is also particularly advantageous in preventing soil erosion, retaining moisture in the ground and preventing washing of the soil. The plow met with immediate commercial success not only in the rocky territories but others, and many thousands of acres of land were put back in production which had been lying idle, and the plow increased the yield of crops over other known types of plowing (Findings V, VI, VII, R. 45, 46).

The District Court held that under some decisions the device of the patent in suit was a pioneer invention, but it would rather refer to it as "a very meritorious invention." The District Court was affirmed on this point by the Court of Appeals of the Fifth Circuit (206 F. 2d 772).

ARGUMENT.

The petitioners under the heading of "Jurisdiction" (Br. 3) set out various grounds alleging such jurisdiction. Among the grounds relied upon are (a) that the Court of Appeals has decided important questions of Federal law which have not been, but should be, settled by this Court; (b) that the Court of Appeals' decision is in conflict with that of other circuits, and (c) that the Court of Appeals has departed from the accepted and usual course of judicial procedure in setting aside the trial court's finding of damages.

Apparently the petitioners realize that there is no conflict of decision with other circuits because under "The Questions Presented for Review" they do not refer to this point as such but present the questions, (1) whether the court erred in using petitioners' profits as the measure of respondents' recovery; (2) whether the Court of Appeals excluded as expenses the reasonable salaries of the corporate officers and individual petitioners, and (3) did the Court of Appeals usurp the function of the trial court in reforming its judgment to increase the award to respondents.

Respondents will refer to these points separately later herein but here state particularly that there is no conflict in the decision of the Court of Appeals of the Fifth Circuit with the principal case relied upon by petitioners to show conflict.

Under the heading "Statement of the Case," petitioners say (Br. 8), that respondents made no profits from the sale of several thousand plows during the accounting period. The fact that respondents were unable to show lost profits on this particular phase of their business has nothing to do with the question before the court. The respond-

ents showed that they would have made the sales of the plows had it not been for petitioners' infringement and the District Court so held (R. 45).

The respondents were damaged and the fact of damages is certain. The uncertainty of the amount will not prevent their being assessed. (*Matarese* v. *Moore-McCormick Lines, Inc.*, 2 Cir., 158 F. 2d 631, 637).

It must be remembered that respondents were the only manufacturers of a plow of this type in the field at the time of petitioners' copying of their device and entering into competition with them.

During the year 1947 respondents' gross business was approximately $7,500,000.00. During 1948 when petitioners' spring clamp plow came on the market, the respondents' sales dropped to a little over $5,000,000.00. The District Court found that respondents had proven loss of sales (Finding V, R. 45). Respondents were first in the field and had certain sales resistance until the value of the plow became known, then the plow met with immediate commercial success. The respondents set up various dealers and distributors over the territory and the petitioners followed in their steps and reaped the benefit of respondents' work and advertising.

Petitioners also state (Br. 10), that the Court of Appeals for the Fifth Circuit held that all disallowed expenses should be added back 100% to infringement profits rather than pro-rate the profits from all the business. This is a cleverly worded statement but does not reveal the whole truth. The disallowed expenses referred to by the Court of Appeals had already been pro-rated, and the Court of Appeals said the District Court erred in pro-rating them again.

This is clear from the opinion of the Court of Appeals (253 F. 2d 76) wherein the court said "* * * that a correct pic-

ture of infringing profits must include the entire $21,714.33 salary of Ray L. Joeffroy disallowed, not 45% of it, and must in the same way include $21,714.33 of Roy's, which the Court did not include at all * * *." In other words, Ray Joeffroy's actual salary was $47,614.14 and the $21,714.33 referred to was 45.6048% thereof, so the Court of Appeals was right in saying 100% of the $21,714.33 should be added to the net profits shown by the Corporation along with the same figure for Roy Joeffroy. More will be said about this point later in this brief.

Respondents will refer to petitioners' argument amplifying reasons for allowance of the writ under the points set out therein.

"POINT ONE"

Respondents submit this is merely another instance of an infringer proven guilty, being dissatisfied with the amount of a judgment, seeking a review in the hope of getting a reduction, but more for the purpose of obtaining a further postponement of the day of payment of the judgment.

The points on which petitioners rely are without merit. *There is no conflict in the decisions of the Courts of Appeal of the various Circuits relative to the interpretation of* 35 U. S. C. A., Sec. 70 or 35 U. S. C. A., Sec. 284.

Petitioners state (Br. 11) in reforming the judgment the Court of Appeals allowed Graham to recover Jeoffroy's profits contrary to the statute; contrary to the decision of the Court of Appeals for the Seventh Circuit (179 F. 2d 401), and this Court should settle this important question of law. It is here noted that the petitioners state that the Court of Appeals merely *reformed* the judgment of the District Court. It is further apparent that the District Court considered the petitioners' profits as an element in figuring the damages to the respondents. In fact, the Court of Appeals (253 F. 2d 75) stated:

> "Substantially the whole of the trial court's findings as to damages related to an ascertainment of the true amount of profits earned by the defendants from the sale of the infringing article. It is quite apparent from the computations made by the trial judge, who did not refer the matter of damages to a master, that the final judgment entered by him was based almost entirely on the figure which he considered to represent the profits made by defendants from the sale of the infringing article. Our review of his conclusion, therefore, should include a review of his calculations which are based on figures supplied by the defendants

about which there is no genuine dispute. If we find, as we do, that substantial errors entered into his calculations, then, without doing violence to the clearly erroneous doctrine, the final figure must be found to have been arrived at by legally incorrect methods and it must be set aside. This is so, not because the trial court is bound to find as damages the exact sum correctly determined to be the profits of the infringers, but to insure as near as may be that in using the profits as a measuring rod no mathematical or accounting mistakes have been made, no legally untenable positions taken."

It is clear from this quotation that the Court of Appeals understood fully the statute regarding the awarding of damages sufficient to compensate plaintiffs for the infringement and that it need not be based on the profits, but that profits could be considered as an element in arriving at the amount of damages.

It is significant to note that the petitioners apparently were agreeable as to the propriety of the District Court's consideration of profits of the petitioners in arriving at the amount of damages to respondents to compensate for the infringement. They apparently were very happy with the amount of the judgment ($35,000.00). Their only dissatisfaction is now that the Court of Appeals in refiguring the profits because of a miscalculation of the District Court arrived at a greater figure, and then REFORMED the District Court's judgment accordingly.

The Court of Appeals followed the District Court's findings almost to the letter on every point except on miscalculation of the disallowable expenses and in disallowing Roy Jeoffroy's salary along with Ray Jeoffroy's salary among these unallowable expenditures. This is clear from the Court of Appeals' opinion wherein it held (253 F. 2d 76):

> "The other error arises from the fact that the trial court, after having allocated legal and other expenses specifically to the cost of defending the infringing effort, nevertheless allowed some 55% of them still to be deducted from the company's income to arrive at its true profits. This is the effect from adding the allocated unallowable expenditures to the company's total profit of $68,287.25, and then taking 45% of that figure to show the defendants' net profits on the infringing sales. The effect of this was to permit the company to retain as part of its profits, not accounted for to the patentee, 55% of the amount which the court had found was entirely spent in defending it in the infringement suit. This is not permissible in the computation of profits."

Petitioners now say that to consider the profits of a defendant is contrary to the statute. The *Ric-Wil Co.* v. *E. B. Kaiser Co.* case (179 F. 2d 401), cert. den. 339 U. S. 958, 70 S. Ct. 981, 94 L. Ed. 1369, relied on by petitioners is obviously not in point. In that case, there had been no accounting or determination of the amount of damages, the judgment appealed from specified "that defendant account for and pay to plaintiff all profits realized by the defendant through the making, using and selling of any and all of the infringing articles and account for and pay to plaintiff damages equalling the profits plaintiff would have made had it made each of the infringing sales made by the defendant."

The defendant contended that this part of the judgment conflicted with Title 35, U. S. C. A., Sec. 70, effective August 1, 1946. In modifying the judgment, the Court of Appeals of the Seventh Circuit said:

> "The language appears to make it plain that profits realized by an infringer are not recoverable as such. 'General Damages' is a broad term which no doubt may include numerous elements depending upon the

> circumstances of the case. And whether an infringer's profits is an element of such damages depends upon the facts of each individual case. We therefore conclude that the judgment relative to an accounting is not in conformity with the statutory provision and that it must be modified accordingly."

It is clear from this holding that the *judgment was modified to use the language of the statute and there was no holding that the amount of damages to be found by the court could not be based on the defendants' profits.*

It is further significant to note that in modifying the judgment in the *Ric-Wil* case, the court said:

> * * * whether an infringer's profit is an element of such damage depends upon the facts of each individual case."

making it further clear that profits of a defendant may always be considered in arriving at damages to compensate for the infringement, which is exactly what the District Court and the Court of Appeals in the present case has done. There is no conflict of decisions here.

Respondents respectfully call attention of this Honorable Court to a decision by the United States Court of Appeals for the Seventh Circuit decided later than the *Ric-Wil* case cited by petitioners, i. e., *National Rejectors Inc.* v. *A. B. T. Mfg. Corp.* (188 F. 2d 706); Decisions May 8 and 15, 1951), also after August 1, 1946, the effective date of the statute, and which statute petitioners concede has not been materially changed by the 1952 amendment (35 U. S. C. A., Sec. 284).

The *National Rejectors* case is somewhat similar to the present case and there the Court held:

> "We think that the master's finding as to damages is amply supported by the record. The plaintiff of-

fered evidence tending to prove that it was equipped and had the capacity to fill the orders for the infringing sales; that purchasers of defendant's infringing devices would have made these purchases from plaintiff but for defendant's infringement; that the resulting profit would have been realized by plaintiff, and that the infringing use of the patent was of such import in the sales as to make the entire profit that of plaintiff. The master found that a market would remain for these rejectors if features licensed under other patents were omitted but that no market would exist for them if features under Claim 21 were eliminated and that this is one of the rare cases wherein substantially the entire marketable value of a mechanism comprising several features can be attributed to one patented feature which embraces an improvement of one of the parts of the mechanism. The evidence amply justifies this conclusion and, indeed, we can not say that the master would have been justified in coming to any other conclusion than that but for the features found to have infringed there would have been absolutely no sale for the rejectors manufactured by defendant. Under such circumstances, the entire profits belong to plaintiff. *Clark v. Johnson*, 7 Cir., 199 F. 116, 121; *Orr & Lockett Hardware Co.* v. *Murray*, 7 Cir., 163 F. 54; *Crosby Steam Gage Valve Co.* v. *Consolidated Safety Valve Co.*, 141 U. S. 441, 453, 12 S. Ct. 49, 35 L. Ed. 809; *Armstrong* v. *Belding Bros. & Co.*, 2 Cir., 297 F. 728, 731-732, 'An infringer is liable for the entire profits made by the manufacture and sale of an article containing the patented device, where it appears that, but for the patented feature, the article would not have been salable.' *Armstrong* v. *Belding Bros. & Co., supra.*"

This Honorable Court denied certiorari in the above case (*A. B. T. Mfg. Corp.*, v. *National Rejectors, Inc.*, 342 U. S. 828, 72 S. Ct. 51, 96, L. Ed. 626—case No. 208).

In the present case the District Court found, and with

which the Court of Appeals agreed (Findings V and VI, R. 45, 46) that the respondents were equipped and had the material capable of manufacturing the plows manufactured and sold by defendants, and respondents would have supplied the market but for those sold by the petitioners. Then the court further held that the invention was the dominant motivation of the buyers in the sale of such plows. They were practically unsalable in rocky territory without the invention. The device was virtually indispensable and was a prerequisite for the sale of the plows in the localities where they were marketed. Respondents therefore respectfully submit that in such a case, just as held in the *National Rejectors* case, the courts could very well have granted respondents all of petitioners' profits after holding they would have sold all of the plows, regardless of the fact that respondents were unable to show profits on their entire business during the accounting period.

Petitioners have referred to a number of cases decided prior to the present statute and then refer to Walker on Patents, Deller's Ed. 1937, but it is clear from these decisions, and particularly from Walker, that petitioners' profits can be considered as an element in figuring respondents' damages. Walker refers to a defendant's profits not being recoverable in an action at law. Walker further says where a patentee has elected to take in a suit of equity the infringer's profits instead of his own damages he cannot recover for the same infringement his damages in an action at law.

Petitioners in their petition (p. 21) refer to the Congressional Record on the discussion of amendment of the statute of 1946, and particularly to the remarks of Mr. Lanham. It is significant to note that Mr. Lanham did not say that profits could not be considered as an element of damages. Even the italicized part of petitioners' quo-

tation says that the bill intended to provide for general damages; that is, "any damages a complainant can prove." This is plain that profits could be considered as an element of damages if the complainant can prove the defendant's profits.

It is further clear that this was the intention of Congress from Mr, Boykin's report on the bill when he said (79th Cong., 2nd Session; HR 1587): "The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, any damages a complainant can prove * * *." The same statement is to be found in the report of the Senate Committee on Patents (Report 1503, 79th Congress, Second Sesson, page 2). The House report No. 1587 (79th Congress, Second Session, page 1), sets out the same purpose of the bill, and further states "although the bill *would not preclude the recovery of profits as an element of general damages*, yet by making it unnecessary to have proceedings before masters and *empowering equity courts to assess general damages irrespective of profits*, the measure represents proposed legislation which in the judgment of the Committee is long overdue." (Italics ours.) This latter statement shows conclusively that the bill did not preclude the recovery of profits as an element of general damages.

Mr. Pepper, before the 79th Congress, Second Session, when asked for an explanation of House Bill 5311, said: "* * * the basis laid down by this bill is general compensatory damages which the plaintiff in the suit sustains. Of course, *that may include profits, but it is not limited to profits*, if the plaintiff does not find it appropriate to do so." (Congressional Record, Vol. 92, Part 7, p. 9188.) *(Italics ours.)*

During the hearings held before the Committee on Patents of the House of Representatives (79th Congress, 2nd Session, on H. R. 5231) subsequently amended, reintro-

duced and reported as H. R. 5311, Mr. C. Henry, Assistant Commissioner of Patents, and one of the leading proponents of the proposed bill, said (p. 7):

> "By making it unecessary to have proceedings before Masters and eliminating the element of profits EXCEPT AS AN ELEMENT OF GENERAL DAMAGES in patent infringement suits and empowering Equity Courts to assess general damages, the measure represents proposed legislation which in my judgment is long overdue." (Emphasis added.)

Mr. Henry further said (p. 10):

> "The only thing that this bill essentially does is to provide for general damages and to omit mention of the right and the duty of the court to fix profits in cases where profits cannot be fixed."
>
> "• • • It gives the court the right to hear proof and fix the general damages right then and there, not less than a reasonable royalty. It would greatly simplify procedure in that respect. However, I am not one who believes that this bill would prevent proceedings before Masters where profits are claimed as an element of general damages."

It is therefore, clearly apparent from the Congressional Record that the intent of Congress was that general or compensatory damages may include profits in the very manner in which they have been considered in this case.

The petitioners' statement (Br. 22) that the *Rie-Wil* case (*supra*) has squarely held that an *award* measured by the infringement profits is no longer permissible under the statute is not correct. What that Court held was that the judgment which stated "that defendant account for and pay to plaintiff all profits realized by defendant through the making, using and selling of any and all of

the infringing articles and account for and pay to plaintiff damages equaling the profits plaintiff would have made had it made each of the infringing sales made by defendant" should be modified. The judgment in the *Ric-Wil* case may have been in error, but this does not mean that if the judgment awarded defendant general damages the complainant could not have shown the profits of the defendant as an element of damages. In the present case the judgment provided the respondents were entitled to *general damages,* which is substantially the same as the court held should have been the judgment in the *Ric-Wil* case.

The *Faulkner* v. *Gibbs* case (199 F. 2d 635, 638), referred to by petitioners (Br. 23) merely referred to the *Ric-Wil* case for discussion of the statute.

The *Zenith* case (6 F. R. D. 597, 599) also referred to by petitioners (Br. 23) involved the question as to whether the trial on the infringement question should consider the question of damages, or whether it should be left for the accounting.

The Court of Appeals for the Fifth Circuit said (253 F. 2d 74):

> "The parties agree that compensatory damages, as provided for in the statute, may comprehend the profits of the infringer * * *."

This supports respondents' statement that the petitioners are dissatisfied with the amount of the judgment and not the way it was determined.

The Court of Appeals was fully mindful of F. R. C. P. Rule 52(a) 28, U. S. C. A. (253 F. 2d 75). It reversed the District Court only on one point, and merely corrected an obvious error on another. It held (253 F. 2d 76) that having found Roy Jeoffroy an infringer along with Ray L. Jeoffroy, his salary also should be considered in com-

puting profits, and "infringing" salaries should be added to the infringing profits of the company (p. 76).

Petitioners state in their brief (p. 23) the Court of Appeals of the Fifth Circuit made its award solely upon the precise amount of Jeoffroy's profits. This in itself is not true. The Court of Appeals refigured the defendants' profits and then took the same percentage (60%) of such amount in arriving at the figure of $64,407.59. This percentage was taken because the District Court, even after holding that the invention was virtually indispensable as a prerequisite for the sale of the plow, and that respondents would have sold such plows, had petitioners not sold them, then concluded that the net profit accruing from the sale of the 1863 spring clamp plows should be attributed 60% to the invention of the spring clamp and 40% to the plow otherwise. Respondents, therefore, do not agree that the Court of Appeals of the Fifth Circuit awarded the petitioners' profit as a measure of damages to respondents. The Court of Appeals was very careful not to reverse the District Court's findings of fact, but merely corrected its error in figuring the petitioners' profits. Such a reformation of the District Court's judgment is not contrary to the statute.

Petitioners *admit* that even under the ruling of the *Ric-Wil* case, under some circumstances, infringement profits might become an element of infringement damages (Br. 23). Petitioners then argue that Graham made no profits during the accounting period, but as respondents have stated, there were other factors involved which prevented a showing of profits on the spring clamp plow themselves, and apparently the District Court took this into consideration in arriving at damages figuring petitioners' profits as an element.

And finally (Br. 24), petitioners state that the present statute 35 U. S. C. A., Sec. 284, is almost exactly the same.

as repealed statute, Sec. 70, and this Court should grant certiorari to settle an extremely important question of Patent Law under the present statute. The petitioners' statement (Br. 3, par. 3) that this Court has not passed on this point is not strictly true. As heretofore pointed out, this Court has passed upon the very point here involved (*National Rejectors* case, *supra*) when it denied certiorari in a case substantially identical with the present one. There is no need for further clarification. Respondents submit that this is the only point petitioners are complaining about, but nevertheless they refer to two other points in their petition which will now be referred to.

"POINT TWO"

Under this Point, the petitioners argue that the salaries of Roy Jeoffroy and Ray L. Jeoffroy, the principal stockholders and officers of the corporation, are deductible expenses in computing infringement profits. The petitioners did not appeal from the District Court's judgment on this point as to Ray L. Jeoffroy.

Petitioners politely ignore the true facts of the situation, i. e., *the officers, Roy Jeoffroy and Ray L. Jeoffroy, were defendants and held jointly and severally liable with the corporation* (Pr. R. 14,227, p. 30; Pr. R. 16392). The petitioners complain about the salary of Roy Jeoffroy being disallowed as an item of deduction, but as heretofore stated, they were very happy to exclude the pro-rata share of Ray Jeoffroy's salary, and in fact agreed with the District Court this was proper, until the Court of Appeals found the District Court had made an error in calculation and increased the judgment. This is admitted by petitioners (Br. 26) where they state: "because the over-all judgment of damages was within reasonable limits." This statement bears out respondents' statement that the petitioners are not complaining about the way the damages were figured but only as to the amount.

Petitioners cite the case of *Page Mach. Co.* v. *Dow. Jones & Co.*, 238 Fed. 369, 375, a decision by Judge Learned Hand, where salaries of officers, if reasonable, were proper deductions as administration expense in figuring profits. This case is different from the present one because there the officers were not parties and were not held as infringers.

The case of *Clair* v. *Kastar, Inc.*, 70 F. Supp. 484, cited by petitioners, clearly makes the distinction where the individual defendants are held to infringe the patent. It

is true the *Clair* case says the officers' salaries, if reasonable, are allowed as a credit, but it further says that an individual or partnership is not entitled to deductions drawn as salaries or in any other manner.

In *Flat Slab Patent Co.* v. *Turner*, 8 Cir., 285 Fed. 257, 283, Turner was held to be an infringer and his salary was disallowed as an expense item as it would plainly constitute a profit to Turner from the infringement. This case directly supports the District Court and the Court of Appeals in the present case wherein the individual defendants were held to infringe the patent.

In *Duplate Corp.* v. *Triplex Safety Glass Co.*, 298 U. S. 448, 56 S. Ct. 792, 80 L. Ed. 1274, 1281, this Court said in passing upon defendant's liability:

> "Whatever is at his call in the service of the enterprise—brawn and intelligence, factories and lands, patents and machinery—will be viewed upon an accounting as if held upon a quasi-trust to contribute what it can to the profits of the business. The wrongdoer must yield the gains begotten of his wrong."

The present case seems to be substantially identical to that of *Hayslip* v. *Textag Co., Inc., et al.*, 98 F. Supp. 879, 882, decided by the District Court for the Northern District of Georgia, wherein the court found The Textag Company was a mere alter ego of the defendant Ross M. Goddard, Sr., and decreed that Ross M. Goddard, Sr., was jointly liable with The Textag Company and that plaintiffs should recover from him all profits realized by him from the infringement. The amounts paid by The Textag Company to Ross H. Goddard, Sr., were improperly allowed by the Master as a deduction and should be added to the profits of the accounting period.

The same statute in effect under the present case was

also in effect at the time of the decision in the *Hayslip* case.

Petitioners state (Br. 28) "The Court's ruling gives to the plaintiff an unwarranted windfall and imposes upon the defendant a gross injustice." This infringement was of petitioners' own doing. They knew when they copied the respondents' plow they were doing wrong. The plow was marked "Pat. Pend." It had been in commercial use some time before petitioners copied it.

The Court of Appeals of the Sixth Circuit in *Reynolds Spring Co. v. L. A. Young Industries, Inc.*, 101 F. 2d 257, held: "Appellant knowingly copied appellee's device which had been in commercial use long before it began its simulation. This was a violent commencement and under such circumstances the court need not exercise meticulous care to avoid hardship on appellant."

The respondents respectfully submit therefore that allowance of the salaries pro-rated as the District Court and as the Court of Appeals have done is proper and does not work an injustice on the petitioners.

"POINT THREE"

Under this heading the petitioners state that in reforming the judgment upward the Court of Appeals erroneously assumed that the trial court's finding of damages was measured by infringement profits, therefore, usurped the function of the trial court, and in doing so departed from the accepted and usual course of judicial proceedings.

This point is merely a rehash of the argument under Point One relating to the petitioners' profits.

Respondents admit that the question of infringement damages is one of fact and the District Court's findings should not be overruled unless clearly erroneous. THERE IS NO QUESTION WHATEVER BUT THAT THE DISTRICT COURT'S COMPUTATION OF PETITIONERS' PROFITS WAS IN ERROR, and the Court of Appeals merely corrected that error. It did not violate Rule 52(a) of the Federal Rules of Civil Procedure.

No doubt the Court of Appeals could have sent the judgment back to the District Court for revision, but then that would have taken additional time and could have evoked another appeal. In the interest of justice, the respondents respectfully submit that the Court of Appeals acted within its power in reforming the District Court's judgment as it did. This litigation has been pending for more than eight years and to have merely sent the case back for further consideration by the District Court would have meant another delay. Such an obvious error as was made by the District Court could readily be *reformed* by the Court of Appeals, and the Court of Appeals acted accordingly.

The petitioners set out at some length (Br. 30-31-32) the District Court's statements regarding the determination of damages and finally stated that "The literal

record shows beyond any doubt that infringement profit was only one of the factors considered by the trial court."

As heretofore stated, it is clear that petitioners were satisfied with the District Court's findings of damages in the amount of $35,000.00. It was only when the Court of Appeals increased that judgment to $64,407.59. BASED ON THE SAME RULES APPLIED BY THE DISTRICT COURT, that the petitioners became dissatisfied, and asked that this Court review the Court of Appeals' holding.

The petitioners also say "that in recomputing infringement profits the Court of Appeals made a basic accounting error in that it added back disallowed expenses 100% to infringement profits when those expenses were charged to infringement business in Jeoffroy's accounting only upon a pro-rata basis" (Br. 33). Here, again, the petitioners are attempting to confuse the issue.

Ray Jeoffroy's total salary for all business during the accounting period was $47,614.14. The infrining business of petitioners was 45% of their entire business. 45% of Ray L. Jeoffroy's salary is $21,714.33, *which is a profit*, and the 100% which the Court of Appeals referred to was this amount. The District Court said this was not an allowable deduction, but added it to the petitioners' profits and then *again* took 45% of the total in figuring petitioners' profits. This the Court of Appeals said was improper.

The Court of Appeals then held that Roy Jeoffroy, being equally liable as a joint and several infringer with the corporation, his salary also in the same amount, should be disallowed as a deductible item. The Court of Appeals then took the infringing profits on the books of the corporation of $31,142.26, as found by the District Court and added thereto the legal expenses specifically

allocated to infringement litigation in the amount of $32,775.06, and the salary of Ray L. Jeoffroy and Roy Jeoffroy, each in the amount of $21,714.33, making a total of $107,345.98 as profit.

The Court of Appeals then following the District Court's holdings that 60% of the profits from the infringing spring clamp should be attributable to the invention, and 40% to the plow otherwise, arrived at the figure of $64,407.59, by taking 60% of the $107,345.98, and "reformed" the judgment accordingly.

It is significant to note that while the Court of Appeals did not fully agree with the District Court's holding that only 60% of the profit is attributable to the infringement, it did not say that the District Court's holding was clearly erroneous. The Court of Appeals said: "We think the degree to which the sale of the infringing plows was attributable to appellants' patented device is after all a question of fact and although some of the trial court's finding of fact comes close to negativing its ultimate finding, we cannot say the finding that only 60% of the profit is attributable to the infringement is clearly erroneous." Respondents say the Court of Appeals would have been justified in reversing the District Court on this point, but it did not do so.

It is further clear that the statement by the petitioners (Br. 34) that the Court of Appeals added back to the infringement book profit 100% of the disallowed expenses means only that the pro-rated disallowed expenses be added back to the book profit. In other words, the District Court pro-rated Ray L. Jeoffroy's salary, arriving at $21,714.33 and added that to legal expense and other expense to arrive at $54,489.39, as disallowable expenses. It then held (R. 44) that this amount should be added to the original net profits. It then apportioned that

total by given percentage of 45.6048%. This was clearly in error as the District Court had already taken 45% of Ray Jeoffroy's salary of $47,614.14, to arrive at the $21,714.33 figure.

This is exactly what the Court corrected in its decision by adding 100% of the already pro-rated disallowed salary to the net profits of the corporation.

Petitioners say (Br. 34) that this profit would be about 20% on the gross sales and is wholly unrealistic. Regardless of whether or not it is unrealistic, these are the true facts and the Court of Appeals was fully within its power in reforming the District Court's decision in this respect.

Apparently the District Court realized that the royalty of 5% of the manufactured selling price was not sufficient to compensate for the infringement. The Court of Appeals apparently agreed.

The District Court held the respondents were not entitled to all of the profits petitioners made during the accounting period. The District Court further held that the invention did not contribute the sole reason for the sale of the infringing plow and divided it 60% to the invention and 40% to the plow otherwise. While the Court of Appeals did not fully agree with this, they did not overrule the District Court's finding.

It is apparent from the Court of Appeals' decision that it followed the District Court on the finding of petitioners' profits and merely revised those profits because of a clear error in the District Court's computation. There is no basis for certiorari in such a holding.

CONCLUSION.

In conclusion, respondents respectfully urge this Honorable Court that the Court of Appeals did not make an award based solely upon infringement profits; that, on the other hand, it merely reformed the District Court's finding of damages based on profits as an element thereof.

The Court of Appeals did not err in excluding the salaries of Roy and Ray L. Jeoffroy.

The Court of Appeals did not substitute its findings for those of the trial court, nor usurp the function of the trial court, but, on the other hand, merely corrected an error in the District Court's finding in calculation of profits when arriving at damages.

WHEREFORE, respondents pray that the petition for Writ of Certiorari be denied.

Respectfully submitted,

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CERTIFICATE OF SERVICE.

Two copies of the foregoing Respondents' Brief in Opposition to Certiorari have been sent via United States Mail, postage prepaid, to W. W. Gibson and S. Tom Morris, 630 Amarillo Building, Amarillo, Texas, Attorneys for Petitioners, this third day of July, 1958.

Attorney for Respondents.